

## SHAREHOLDER ADVOCACY & ENGAGEMENTS: WHERE ANALYSIS BECOMES ACTION

By means of letters, conversations, comparisons to peers, and submitting and/or supporting shareholder proposals, our work from spring 2018 through spring 2019 encompassed a variety of environmental, social, and governance issues.

### CAMPAIGN UPDATE:

#### GENDER DIVERSITY ON COMPANY BOARDS & AMONG TOP MANAGEMENT

In 2016 we launched our campaign to improve board gender diversity among our investments. We started by looking at companies that have zero women on their board of directors, then we looked at companies that only have one woman on the board, and then any company that has less than 30% gender diversity. Since that first year, we have expanded our analysis to also look at women in the C-suite and in top leadership.

##### Features of this campaign:

- **Launched:** 2016
- **Sector(s) impacted:** broad range, not limited to any particular sector.
- **Network collaboration:** Thirty Percent Coalition
- **Tools used:** targeted company analysis (including peer comparisons) and letters; dialogues; proxy voting; filing shareholder proposals.
- **Requests of companies:** evaluate and acknowledge the value of gender diversity, and incorporate into the business strategy via actions and policies.
- **Underlying message:** Diversity is good for business, and investors want to know how companies are recruiting qualified people from the most diverse and competitive pools possible.

### NEW CAMPAIGN:

#### MIDSTREAM/MASTER LIMITED PARTNERSHIPS

Midstream energy companies are responsible for transporting fossil fuel energy products from one place to another, often by pipeline. Many of them are formed as master limited partnerships (MLPs), and have a unique corporate structure that makes them invulnerable to many forms of shareholder advocacy.

While Miller/Howard has tried to engage MLPs in the past, we have found that a company reluctant to talk to us can merely refuse to do so. There are a few exceptions—one of our past MLP engagements led to a very robust discussion of gender diversity in leadership—but overall, the success of our efforts was limited to letting companies know that investors are paying attention to ESG issues.

All that changed in May of 2018, when Miller/Howard—led by our portfolio management team—issued an Open Letter to MLP Management Teams.<sup>1</sup> This proved to be very effective and it spurred other parties, who had previously been reticent, to join in with similar messages concerning materiality, disclosure, and management.

##### Features of this campaign:

- **Launched:** 2018
- **Sector(s) impacted:** companies in the midstream energy sector.
- **Collaboration:** deep integration with our portfolio management team in strategy, scope, and efficacy.
- **Tools used:** public open letter, targeted company analysis and letters, and numerous collaborative dialogues.
- **Results:** Several companies took their first and early steps to disclosure of ESG issues and management.
- **Underlying message:** Investors want disclosure of company practices around ESG risks, including mitigation and management.

<sup>1</sup> Miller/Howard Investments, Open Letter to MLP Management Teams, [www.mhinvest.com](http://www.mhinvest.com).

## CAMPAIGN UPDATE: ENVIRONMENTAL DISCLOSURE

When hydraulic fracturing (fracking) entered the scene over a decade ago, corporate disclosure was minimal. First responders, local communities, and the public did not know what chemicals were being used or what environmental impacts they might anticipate. Investors began engaging, and Miller/Howard was among the first cohort to push for increased material disclosure. As a result of this coalition of investors, companies began disclosing via a public website called [www.fracfocus.org](http://www.fracfocus.org).

Since then, our work has moved beyond chemicals used in fracking to include a focus on emissions—particularly methane—as well as management of water and other environmental impacts and natural resources.

### Features of this campaign:

- **Launched:** 2009
- **Sector(s) impacted:** broad range, not limited to any particular sector but with a particular concentration on energy companies, industrials, and financials.
- **Network collaboration:** Climate Action 100+, Ceres, Interfaith Center on Corporate Responsibility, Investor Environmental Health Network, UN Principles for Responsible Investment
- **Tools used:** targeted company analysis (including peer comparisons) and letters; dialogues; proxy voting; investor statements and public letters; filing shareholder proposals.
- **Focus/requests of companies:** fracking, sustainability reports, 2°C Scenario, science-based targets (emissions reductions in alignment with the Paris Accord).
- **Underlying message:** Investors want disclosure of company practices around ESG risks, including mitigation and management.

## CAMPAIGN PREVIEW: EXECUTIVE COMPENSATION

How a company compensates its executives, and what awards and metrics comprise that compensation program, can provide investors with valuable information about how the company is managed and what choices it incentivizes. As investors, we want to know what factors are driving the decisions at a company. For example, executives make decisions related to such issues as debt, business strategy, capital expenditure, and management of risks. Does the company pay executives more for choosing a path involving more risk for long-term investors and leading to a less-sustainable strategy?

Utilizing the skills of both the portfolio management and ESG teams, Miller/Howard is launching a deep dive into the compensation programs at many of our top holdings. While this campaign will primarily involve analysis, it is also expected to impact our proxy voting and engagement decisions. Stay tuned for updates over the coming year.

### Features of this campaign:

- **Launched:** 2019
- **Sector(s) impacted:** broad range, not limited to any particular sector.

### INVESTMENT TEAM

Lowell G. Miller, Founder, Chief Investment Officer  
Gregory L. Powell, PhD, Deputy Chief Investment Officer  
John E. Leslie III, CFA, Portfolio Manager  
Bryan J. Spratt, CFA, Portfolio Manager  
John R. Cusick, CFA, Portfolio Manager  
Michael Roomberg, CFA, Portfolio Manager  
Adam Fackler, CFA, Senior Research Analyst  
Owen D. Harvey, Research Analyst  
Mark A. Phillips, CFA, Research Analyst  
Brandon Galeano, Research Associate

### ESG RESEARCH & ADVOCACY TEAM

Luan Jenifer, Chief Operating Officer  
Nicole Lee, Lead ESG Analyst  
Patricia Karr Seabrook, Shareholder Advocacy Coordinator  
Daniel Lee, ESG Research Associate

Miller/Howard Investments  
10 Dixon Avenue, Woodstock, NY 12498  
Tel 845 679-9166 | Fax 866 901-9071  
[esg@mhinvest.com](mailto:esg@mhinvest.com)  
[www.mhinvest.com/esg](http://www.mhinvest.com/esg)



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